

Article 6: Board and Commissions

Division 17: Financial Reporting Oversight Board

(Added 10-11-2004 by O-19320 N.S.)

§26.1701 Purpose and Intent

- (a) It is the purpose and intent of the City Council to establish a Financial Reporting Oversight Board to serve as an advisory body to the Mayor, City Council, and City Manager on matters that relate to achieving a high standard of quality in and efficacy of the City's financial reporting and disclosure practices, including but not limited to:
 - (1) disclosures relating to the City's securities;
 - (2) disclosures relating to securities issued by the "related entities" as defined in San Diego Municipal Code section 22.1702;
 - (3) the selection of independent auditors;
 - (4) the conduct of audits;
 - (5) the operations of the Office of the City Auditor and Comptroller;
 - (6) the quality and efficacy of the City's financial reporting;
 - (7) with respect to the City Auditor and Comptroller and the City Manager; the City's internal controls and procedures; and,
 - (8) with respect to the City Auditor and Comptroller, the City Manager, and the City Attorney, the quality and efficacy of the City's disclosure controls and procedures.
- (b) It is the intent of the City Council that a high level of public confidence shall be maintained in the quality of the City's disclosures and financial statements and that the Financial Reporting Oversight Board shall assist the City in ensuring that the process of selecting an independent auditor to the City is insulated from political considerations.

- (c) The City Council recognizes that selecting the members of the Financial Reporting Oversight Board is likely to require some time, and it is the intent of the City Council that, if possible, the Financial Reporting Oversight Board shall be fully constituted and prepared to assume its duties as soon as possible but no later than April 15, 2005.

(Added 10-11-2004 by O-19320 N.S.)

§ 26.1702 Financial Reporting Oversight Board

- (a) Pursuant to City Charter section 43(a), there is hereby created a Financial Reporting Oversight Board consisting of three members. The members shall be appointed by the Mayor and confirmed by the City Council. Each of the members shall be a person of high moral character and integrity with extensive academic or professional experience in the fields of finance, accounting, or law, with at least one expert in accounting and at least one expert in federal securities law. The members shall not be members of *related entities* as defined in section 22.4102 or any other board or commission of the City of San Diego
- (b) The members shall serve terms of four years and each member shall serve until a successor is duly appointed and confirmed.
- (1) Of the members appointed initially, one member shall serve a term of two years, and one member shall serve a term of three years, such that the terms of not more than one member shall expire in any year. The expiration date of all terms shall be May 31. During June of each year, the Mayor may designate one member as Chairperson; however, in the absence of such designation, the Board shall on or after July 15, select a Chairperson from among its members.
- (2) Any vacancy shall be filled for the unexpired term of the member whose place becomes vacant. If any member misses three unexcused meetings in a calendar year, that member's Board position shall be deemed immediately vacated without further action by the Board or the City Council. The Board shall have no authority to restore such member to a position deemed vacated. Absences may be excused by unanimous vote of the remaining members of the Board and shall be granted only for personal emergencies as reasonably determined by the members of the Board voting on the absence.

(Added 10-11-2004 by O-19320 N.S.)

§ 26.1703 Duties and Functions

The Board shall:

- (a) Adopt rules consistent with the law for the government of its business and procedures, provided that such rules shall specify that a quorum shall at all times consist of at least two members;
- (b) Meet periodically but no less than every three (3) months, and in separate meetings with the City Auditor and Comptroller, the City's Independent Auditor, and the representatives of the City's Disclosure Practices Working Group. The Board's meetings shall be subject to the California Brown Act.
- (c) Establish procedures to receive and respond to any complaints or concerns regarding accounting, internal controls, or auditing matters, including procedures for the confidential and anonymous submission by employees of any such complaints or concerns.
- (d) Review and evaluate the annual report on the City's disclosure controls and procedures made by the Disclosure Practices Working Group and provide to the Disclosure Practices Working Group, the Mayor, and the City Council any comments or recommendations it may have.
- (e) Review the outside auditor's management letter, together with the City's response to that letter; review and evaluate the annual report on the City's internal controls made by the City Auditor and Comptroller and City Manager; and provide to the Mayor and the City Council any comments or recommendations it may have regarding these documents.
- (f) Review and evaluate the procedures, diligence, ability, and work product of the outside auditor and report annually to the Mayor and City Council on its findings and any recommendations it may have.
- (g) Review and evaluate the City's exercise of its obligations under federal and state securities laws with respect to securities issued by the "related entities," as defined in San Diego Municipal Code section 22.1702, and provide to the Disclosure Practices Working Group, the Mayor, and the City Council any comments or recommendations it may have.
- (h) Conduct such other studies, reviews, and public hearings on matters relating to or connected with the City's financings, disclosures, audits, and internal financial controls and procedures as it shall be directed by the Mayor and City Council, and report on its findings, together with such recommendations as the Board shall deem appropriate, to the Mayor and the City Council.

(Added 10-11-2004 by O-19320 N.S.)

§ 26.1704 Selection of Independent Auditors

- (a) In preparation for the issuance of a Request for Proposals for an independent auditor for the City, the City Manager shall consult with the Board regarding its recommendations relating to appropriate expertise, experience, responsibility, and other factors on which candidates will be evaluated.
- (b) The Board shall review and evaluate all responses to a Request for Proposals for the independent auditor to the City, and shall recommend to the City Council a candidate to be selected.
 - (1) The City Council may approve or reject the Board's selection, but the City Council shall not substitute a candidate of its own choice.
 - (2) In the event that the City Council rejects the recommendation of the Board, the Board shall provide another recommendation or, in its sole discretion, provide for the issuance of a new Request for Proposals to encourage additional candidates to submit their proposals.

(Added 10-11-2004 by O-19320 N.S.)

§ 26.1705 Indemnification and Reimbursement for Expenses

The members of the Board shall be reimbursed for reasonable expenses incurred in the performance of their official duties, pursuant to City Administrative Regulations. The members of the Board shall be defended and indemnified with respect to the course and scope of their official duties as more fully set forth in state law.

(Added 10-11-2004 by O-19320 N.S.)

§ 26.1706 Board Resources; Independent Advisers

The City Manager, the City Attorney, the City Auditor and Comptroller, and the City Treasurer shall fully cooperate with the Board and provide such assistance and resources as are reasonably necessary to allow it to carry out its responsibilities. In the City's Annual Budget, in addition to budgeting sufficient internal staff resources, the City Manager shall propose an expenditure of funds sufficient to engage such independent counsel or other independent advisers to assist the Board in carrying out its responsibilities as the Board shall reasonably request. The City Council shall appropriate monies as proposed by the City Manager sufficient to meet these needs.

(Added 10-11-2004 by O-19320 N.S.)